dugan production corp.

February 1, 1996

Mr. David S. Guzy, Chief
Rules and Procedures Staff
Mineral Management Service
Royalty Management Program
P. O. Box 25165, MS 3101
Denver, CO 80225-0165

RE: Comments - Proposed Rulemaking - Amendments to Gas Valuation Regulations for Federal Leases, 60 Fed. Reg. 56007, et seq.

Dear Mr. Guzy,

Dugan Production Corp. (Dugan) appreciates the opportunity to comment on this rulemaking. Dugan is an independent producer in the Rocky Mountain region and a member of the Independent Petroleum Association of Mountain States (IPAMS). We endorse the comments made by IPAMS and IPAA.

While some of the proposals will be helpful, overall we are concerned that the proposed rule will have a negative economic impact on our operations on Federal lands. We support the positive aspects of the proposal such as the elimination of processing and transportation allowance forms and dual accounting, a new definition of gathering, deduction of downstream compression and valuation of NGL's at a wellhead MMBtu basis.

While we recognize that the Negotiated Rulemaking Committee worked many hours to develop a valuation system which would benefit all parties, we believe the index system is far too complex for independent oil and gas operators to use. Although independents will be able to stay on the gross proceeds methodology, the complexity of the proposed valuation methodology in its entirety is contrary to the basic mission of the FACA Committee. Such a complex system, coupled with requiring producers to pay on entitlements, whether the producer takes or not, will most definitely discriminate against independents and leave them at a competitive disadvantage with major corporations.

In summary, the proposed rule with respect to index pricing, the safety net and transportation allowances will increase our costs of operation and thus, increase our overhead. Please take a moment to reconsider the proposed rules.

Sincerely,

DUGAN PRODUCTION CORP.

Thomas A. Dugan

Thomas A. Dugan
President

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